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SUBJECT: Methane Development Continues Despite Disputes

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¶1. SUMMARY. Lake Kivu still contains hope for Rwanda to solve one of the biggest obstacles to its development - the unreliability and high cost of energy in the country. The GOR partnership and concession granted to Dane Associates has been dissolved, but several other companies have appeared to continue the efforts. Rwanda estimates that there is at least a 350 megawatt (MW) potential for the lake and limiting individual concessions to 50 MW. END SUMMARY.

¶2. While the partnership between Dane Associates and the GOR, called Kibuye Power 1 (KP1), has been dissolved by Rwandan courts, work continues with the original technical sub-contractor - Ludan from Israel. The GOR has taken over complete ownership of KP1 and plans to produce 5MW of electricity through the methane conversion process pilot project by the end of the year.

¶3. The Rwanda Energy Company (REC), owned 60% by the Rwandan Investment Group (RIG) and 40% by ECOENERGY of Kenya is working on a 4 megawatts (MW) pilot methane project in Gisenyi. REC has hired the South African engineering firm Philip Merkel and expects to produce power by July 2008. Upon successful completion of the pilot project, REC will be awarded rights to the full 50MW concession. With an estimated 350 MW maximum capacity for energy produced from methane on the Rwandan side of Lake Kivu, the GOR set each individual concession to no more than 50MW.

¶4. REC also contracted French scientist, Professor Michel Harbouach, to develop a 3MW project. Harbouach was very involved in the identification of the potential held by methane in Lake Kivu, but was never granted concessionary or contractual rights to the Lake. An expert in the field, he examined Cameroon's Lake Nyos catastrophe in which poisonous gas released from the lake killed many lake dwellers. Harbouach produced some of the original feasibility studies and reports on extracting methane from Lake Kivu. In fact, Harbouach's original proposal addressed the environmental risk that the gas poses to the surrounding area. He argues that extracting methane from the Lake Kivu is necessary to prevent a disaster similar to Lake Nyos's carbon dioxide explosion.

¶5. Additionally, W&S Beteiligungs AG from Germany applied for concessions to convert Kivu methane into electricity, but the GOR has not yet approved their request.

¶6. COMMENT. Often described as Rwanda's natural treasure, the methane in Lake Kivu looks more and more promising to international companies and investors. While the GOR must be vigilant to not let the scramble over the highly prized concessions delay the production of the much needed electricity, it must also ensure that it has clearly defined plans for several more mundane, but as of yet, ignored issues. For example, how to connect the electricity to the national grid and how to create power purchase agreements with each company. Each of these issues awaits negotiated solutions, and are crucial to the actual production and use of methane-generated

electricity for Rwanda's cities and towns.

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